

# A macro-perspective on the first decade of South African housing delivery and its contribution towards the formation of sustainable settlements and communities

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## Abstract

The economic, social and spatial impacts of the national state housing programme in South Africa over the last ten years have been significant. And yet the ability of the programme to produce settlements which can be described as ‘sustainable’ has been limited. This paper works from a description of some of the key strategic impacts of the programme, towards a vision for the future in which state-sponsored settlements will become more rewarding places to stay.

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## 1 Introduction

When the White Paper [1] on housing was first written, the ultimate aims of the housing programme were articulated using the concepts current at the time. For instance, the word ‘sustainable’ did not carry the same weight or meaning as it does now, some ten years later. Sustainability referred to the survival of the programme itself (i.e. sustained production and capacity growth) and was discussed predominantly in the frame of economic and fiscal programmatic sustainability. Rather than referring to the need to create sustainable human settlements as such, the programme outcomes at the time were to be:

- settlements which were ‘human’, ‘integrated’, and ‘compact’;
  - houses which were ‘habitable’, ‘adequate’, ‘secure’, ‘safe’, ‘healthy’ and, of course, numerous; and
  - households and communities which were ‘viable’, and ‘socially and economically integrated’.
- [2]

To be fair, what was delivered over the last decade should be measured against the original intentions which are captured in the 1994 White Paper and as further developed in other key documents such as the Housing Act [3] and the Urban Development Framework [4]. However, from now on the performance of the housing programme should be measured against the broader concept of sustainable settlements as framed in new policy statements such as the Department of Housing’s “comprehensive plan for the development of sustainable human settlements” [5].

In the time between 1994 and 2004 international attention has focused more on the concept of sustainable settlements and housing, which means many things to many people. The focus on the need for sustainable settlements has been such that the Departments of Housing and Provincial and Local Government have a local, shared definition of sustainable settlements, and this has become the centre piece of the 2004 Comprehensive Plan for Housing. Sustainable human settlements are conceived of as:

“well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity”[6]

The definition is extended into the following description:

“The present and future inhabitants of sustainable human settlements, located both in urban and rural areas, live in a safe and a secure environment and have adequate access to economic opportunities, a mix of safe and secure housing and tenure types, reliable and affordable basic services, educational, entertainment and cultural activities and health, welfare and police services. Land utilization is well planned, managed and monitored to ensure the development of compact, mixed land-use, diverse, life-enhancing environments with maximum possibilities for pedestrian movement and transit via safe and efficient public transport in cases where motorized means of movement is imperative. Specific attention is paid to ensuring that low-income housing is provided in close proximity to areas of opportunity. Investment in a house becomes a crucial injection in the second economy, and a desirable asset that grows in value and acts as a generator and holder of wealth. Sustainable human settlements are supportive of the communities which reside there, thus contributing towards greater social cohesion, social

crime prevention, moral regeneration, support for national heritage, recognition and support of indigenous knowledge systems, and the ongoing extension of land rights.” [7]

This then is the current broad definition or vision of what the housing, and other government, programmes seek to produce through the investment of national resources. In reviewing past performance the original aims are considered as a fair yardstick but in the redesign of housing delivery instruments for the future it is necessary to apply the expected outcomes which are framed using the more contemporary concepts.

## 2 Historical context

The context in 1994 was outlined in the original housing White Paper. It highlighted the following conditions prevailing in the housing sector at the time, with particular focus on the poor. It was estimated that over 28 million people (66%) of South Africa's population was functionally urbanised. This implied that approximately 14.5 million people (34% of the total population) resided in rural areas, many of whom would spend part of their working lives in the urban areas.

Many South Africans did not have adequate security of tenure over their homes or land. Approximately 58% of all households (4.8 million households) had secure tenure (ownership, leasehold or formal rental contracts), whereas an estimated 9% of all households (780,000 households) lived under traditional, informal / inferior and/or officially unrecognised tenure arrangements in predominantly rural areas. The tenure situation, which is an indication of the patterns of distribution of physical assets, was further characterised by an unequal spread of home ownership according to income, gender and race.

An additional estimated 18% of all households (1.5 million households or 7.4 million people) lived in squatter settlements, backyard shacks or in overcrowded conditions in existing formal housing in urban areas, with no formal tenure rights over their accommodation. This pattern of insecure tenure was undoubtedly one of the salient features of the housing crisis in South Africa in 1994.

After reviewing patterns of poverty and inadequate housing in South Africa, it was estimated that the urban housing backlog in 1994 was approximately 1.5 million units. The consequences of this backlog was physically reflected in overcrowding, squatter settlements and increasing land invasions in urban areas, and generally by the poor access to services in rural areas. Due to the high rates of population growth and low rates of housing provision, it was estimated that the housing backlog was increasing at a rate of around 178,000 units per annum. Hassen demonstrates that although delivery has been impressive in numerical terms, the increase in numbers of households each year has meant that the backlog has only been reducing very slightly each year [8].

To redress the housing situation in which the poorest were housed in the least adequate housing located furthest from economic opportunities, the government embarked on addressing the challenge of “Housing the Nation”. The Department of Housing’s main aim was to address the needs of households most in need and who were inadequately housed, through progressive access to secure tenure. This meant that the emphasis would be on creating an enabling environment which would allow people to access housing opportunities of various kinds. As Mary Tomlinson has pointed out, the programme was originally based on government acting to create this enabling environment while the private sector drove delivery, a situation which has altered significantly in the intervening time to favour more government-led delivery with a lesser role for larger corporate interests in the private

sector [9]. Government is again interested in private sector involvement but with a stronger lead from the State in terms of the type and location of projects to be built [10].

### 3 Policy and institutional framework

In the face of these challenges, the government housing programme set itself the task of establishing and maintaining,

“...habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to:

1. permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements; and
2. potable water, adequate sanitary facilities and domestic energy supply.” [11]

Since 1994 housing policy and practice have evolved steadily through large scale delivery, the development of a coherent legislative and regulatory framework, and extensive institution and capacity building. The first few years (1994-1998) of the housing programme were characterised by policy formulation, restructuring of the numerous housing departments into a single department and addressing a range of other issues that had historically limited efficient housing delivery. This restructuring helped to establish a successful development process that facilitated rapid delivery from 1996 onwards. It is only as the successes and limitations of the first dispensation of delivery have become clear that the country has re-entered a policy making period in which delivery instruments are being reshaped to achieve the redefined outcomes.

The 1994 Housing White Paper, which continues to provide the basis for national housing policy, contains the following seven thrusts:

- Stabilising the housing environment;
- Support for a people-driven housing delivery process;
- Mobilising housing credits and savings;
- Providing housing subsidy assistance;
- Rationalising institutional capacities within a sustainable institutional framework;
- Facilitating the speedy release of land; and
- Co-ordinating development by facilitating co-ordinated and integrated action by the public and private sector.

The Housing Act, 1997 (Act 107 of 1997), and further amendments, established a rationalised institutional framework, redefined the roles and functions of the three spheres of government and repealed all racially based housing legislation as well as creating a single housing fund from which the Government could finance its housing assistance programme.

Sectoral interventions were undertaken to mobilise housing credit, such as the establishment of:

- The National Housing Finance Corporation (NHFC) (providing wholesale capital for intermediaries lending to the target group); and
- The National Urban Reconstruction and Housing Agency (NURCHA) providing guarantees for the housing development sector to ensure access to capital).

The Home Loan and Mortgage Disclosure Act and the Office of Disclosure together with the Community Reinvestment Bill published in 2002 (but not approved by Cabinet and then subsumed partly by the voluntary commitments contained in the Financial Sector Services Charter) aimed to promote lending by financial institutions in the low-income housing market.

The following interventions were initiated to stabilise the housing environment:

- The Masakhane Campaign (restoring payment for services);
- The Mortgage Indemnity Fund (guarantees for lending risks for certain rehabilitated areas);
- Servcon Housing solutions (rescheduling for mortgage loans and relocation assistance);
- Thubelisha Homes (providing stock for relocation purposes); and
- The National Home Builder's Registration Council (regulating quality standards in Housing construction).

The housing institutions that were established in support of housing policy and strategy, including the People's Housing Partnership Trust, the Social Housing Foundation and those referred to previously, all to a greater or lesser degree addressed the capacity gap. Many are now going through a process of remandating and aligning their activities with the next dispensation. However, there is still great need to build capacity in the public sector, especially at local government level.

The National Housing Subsidy Scheme, introduced in 1994 evolved into a comprehensive programme providing a wide array of housing subsidies to a broad spectrum of eligible beneficiaries. These include project-linked subsidies, individual subsidies, institutional subsidies, consolidation subsidies, rural subsidies (catering to informal land rights) and relocation assistance.

The programme allowed for a range of tenure options on an individual or group basis in urban as well as rural areas and was enhanced to include families in rural areas who only have functional security of tenure in terms of the Interim Protection of Informal Land Rights Act, 1996. More recently additional types have been added such as the emergency housing subsidy and the informal settlement upgrading subsidy.

The housing subsidy programme is used mainly to fund the planning, acquisition and local servicing of land and to build top structures, or houses. It provides for secure tenure, access to provision of basic services and construction of housing units. With the introduction of the scheme in 1994, the maximum subsidy was R 15 000. Initially the subsidy amount was not increased annually, but since 2002 it has been increased to try and keep pace with rising building and labour costs. By April 2003, it had increased to R 25 580 and by April 2005 to R31 929 [12].

There are a range of possible subsidies depending on income. The maximum subsidy amount is available to the aged, indigent and people with disabilities. For a time households accessing the subsidy were expected to make a contribution of R2 479 or to contribute their sweat equity through the people's housing process support programme. Households earning less than R1 500 are now exempt from the contribution [13].

#### **4 Performance of the programme**

Over the last decade the performance of the housing programme has been largely predicated, and is indeed virtually synonymous with, the effectiveness of the housing subsidy programme. Although the

sectoral interventions through housing institutions mentioned above have significant, if difficult to measure, impacts, the greatest visible impact are the housing subsidies. Indeed much of the expertise of government is oriented towards supporting subsidy disbursement, which means that as the housing programme becomes less focused through subsidies (if this takes place) then other types of capacity will be needed in government. What then has performance and impact been like during the first ten years?

#### 4.1 Funding inputs to the programme

Over the past ten years the Housing Vote has, on average, amounted to considerably less than the National Housing Goal of 5% per annum of total state expenditure which meant that the achievement of the ambitious goal of a million houses completed in five years was realised fairly shortly after the five year target date [14]. The National Housing Subsidy Programme is funded out of the South African Housing Fund. In terms of the Medium Term Expenditure Framework, an amount of R3, 8 billion was allocated to the South African Housing Fund for the 2002/2003 financial year and R4,2 billion allocated for the 2003/04 financial year. There has been some increase in allocation for future years to address the scaling up of the upgrading of informal settlements and the establishment of large pilot projects.

According to a Treasury document in 2004, “To date, the total cost of housing delivery to government is approximately R27,6 billion. Taking into consideration the replacement costs of the publicly funded houses transferred to occupants, it is estimated that property assets worth over R30 billion have been transferred to South African households since 1994” [15]. More recent figures indicate that by March 2004 a total of R28,5 billion had been used directly in the subsidy programme (table below)

**Table: Funds allocated by Province, 1994 - 2004**

Province	Amount R million
Eastern Cape	R 3,815.9
Free State	R 2,004.7
Gauteng	R 6,781.6
KwaZulu-Natal	R 5,679.2
Limpopo	R 2,440.5
Mpumalanga	R 1,729.5
Northern Cape	R 633.8
North West	R 2,111.5
Western Cape	R 3,265.0
<b>TOTAL</b>	<b>R 28,461.7</b>

Source: <http://www.housing.gov.za> Accessed November 2005

#### 4.2 Outputs of the housing programme

The most well publicised and measurable output of the housing programme relates to the construction of over 1.6 million housing units by the end of the 2003/04 financial year [16]. Within this figure are houses being built in projects which are not yet complete, some of which are stalled for fairly lengthy periods for a variety of legal or contractual reasons.

**Table: Houses completed or under construction till March 2004**

<b>Houses Completed or Under Construction</b>									
Province	Financial Years up to and Including March 2004								Total
	1994/95 to 96/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	
Eastern Cape	6,511	32,223	24,659	20,345	34,021	10,816	58,662	27,119	<b>214,356</b>
Free State	13,042	18,001	17,391	7,177	16,088	7,005	9,155	16,746	<b>104,605</b>
Gauteng	56,239	70,924	58,170	45,384	38,547	46,723	24,344	49,034	<b>389,365</b>
KwaZulu-Natal	17,553	78,468	53,105	28,997	28,547	14,379	24,485	33,668	<b>279,202</b>
Limpopo	11,108	15,743	22,899	12,401	20,996	16,667	14,953	15,810	<b>130,577</b>
Mpumalanga	19,884	10,873	16,838	4,808	16,457	14,584	21,649	21,232	<b>126,325</b>
Northern Cape	6,666	4,768	2,387	2,600	4,148	2,588	6,056	3,787	<b>33,000</b>
North West	21,287	20,977	18,367	12,944	14,109	13,885	23,784	10,484	<b>135,837</b>
Western Cape	25,321	43,834	34,575	26,916	17,730	16,634	20,500	12,301	<b>197,811</b>
<b>Total Projects</b>	<b>177,611</b>	<b>295,811</b>	<b>248,391</b>	<b>161,572</b>	<b>190,643</b>	<b>143,281</b>	<b>203,588</b>	<b>190,181</b>	<b>1,611,078</b>

Source: <http://www.housing.gov.za> Accessed November 2005

By March 2005, the total number of houses completed was 1 831 860 [17]. This level of housing production which is successfully targeted at the poorer households is internationally recognised as significant [18].

Comparing to 1996 Census figures, the production of 1 502 406 units by 2003 represented an addition of 17% to the total national housing stock. If housing production up until March 2001 is compared to the increase in housing stock in the country according to the 2001 Census, then government-supported low income housing accounted for more than half of national housing production [19].

It is clear from the table above that housing delivery peaked during the 1997/1998 financial year. Since the 1997/98 peak, delivery has stabilised at an average of around 201 400 per annum. Gauteng Province and KwaZulu-Natal delivered the most units, also being the Provinces to receive the largest allocation of housing funds, which allocation is calculated according to housing needs and shortages.

By 2003, of the total number of approved subsidies, approximately 76% were project-linked, 11% were consolidation subsidies, 8% supported hostels redevelopment, 3% were institutional, 2% were individual subsidies, and the balance were relocation subsidies (0.2%) and rural subsidies (0.1%).

A steady decline in delivery has been experienced since 1998. The reasons for this include:

- the withdrawal of the so-called large construction groups from the low income market and the unwillingness of developers to undertake development in rural towns;
- low profit margins for the private sector in the subsidized sector (*inter alia* due to a mismatch of high standards and insufficient funds);
- stalled projects as a result of inflation erosion ;
- a slow introduction of emerging contractors to the subsidy market combined with insufficient delivery capacity and technical expertise;
- the inability thus far of the People's Housing Support Programme and the Social Housing programme to deliver at scale;
- high land costs in advantageous locations;
- high building costs in areas where land is more affordable but geological and topographical conditions are not ideal;
- a general shortage of housing sector capacity and expertise especially (but not exclusively) at municipal level combined with an unwillingness by many municipalities to take on the full management of housing subsidies; and



- an unwillingness by the private (financial) sector to invest in the low income housing market, including the provision of bridging finance to emerging contractors.

Despite the peak that was reached with housing delivery during 1997/98, particularly the withdrawal of private construction firms from this market segment has left a gap in delivery capacity. This includes skills in relation to project management, financial and administrative expertise as well as construction capacity.

### **4.3 Effectiveness in the targeting of housing**

One of the foundational aspects of the subsidy scheme is the targeting of households most in need. The delivery of 1 831 860 houses to households with low incomes means that in the region of 7 million people have benefited (at an average of 3,8 people per household). Since the inception of the Housing Subsidy Scheme in April 1994, 3 726 projects have been approved for people in the income category R0 to R3 500 per month [20].

In terms of the allocation of subsidies to male and female headed households, by 2003 some 49% of subsidies had been allocated to female-headed households [21]. The highest percentages of subsidies were allocated to female-headed households in the provinces of KwaZulu-Natal (55%), Mpumalanga (57%) and Limpopo (54%). However, the percentage of female-headed households which owned formal housing throughout the country was approximately 30%. The figures therefore imply that significant strides are being made to achieve gender equity in asset ownership through the housing subsidy scheme.

### **4.4 Impacts**

There are at least two types of impact which result from the housing programme. The one relates to direct spin-offs of the programme such as the number of jobs created, and the degree of skills transfer. The other relates to the lasting benefits that are left with beneficiaries of the programme, such as substantive improvements in quality of life which can be linked to secure tenure, structurally sound housing, and access to services such as water, sanitation, and energy supply, social amenities such as health, education, recreation, and economic opportunities. Many of the more general impacts on beneficiaries are not exclusively linked to housing supply, and improvements in quality of life, for example, are often the cumulative result of many programmes of government (which then constitute a social safety net of a kind). This section therefore focuses on a few key issues, also acknowledging the fact that impact is generally not comprehensively nor consistently measured and, in some areas, longer term impacts of policy are not yet evident.

#### **4.4.1 Sectoral impacts**

In 2002, it was estimated that R3 billion of government housing investment would generate or sustain about 48 000 direct job opportunities in the building industry and 45 000 indirect job opportunities in the building materials and components industry. The number of direct jobs created varies each year according to the level of subsidy expenditure [22]. This would mean very roughly that with R27.6 billion of investment over ten years, some 441 600 direct jobs and 414 000 indirect job opportunities have been created.

The high level of delivery through the project-linked subsidy mechanism (76% of all subsidies) indicates a high level of construction sector involvement. As outlined above, with the reduction in the real value of the subsidy during the first seven years there was a general withdrawal of the large



construction companies from the sector which has increased the need to emphasise support for smaller scale construction organisations. The last three years have seen significant emphasis for small contractor support, and more recently government has shown interest in drawing back larger concerns [23].

Low income housing delivery includes a significant component of emerging contractor participation. Almost 80% of projects sampled in an investigation drew on emerging contractors in sub-contracting roles and 20% used established builders [24].

The level of involvement of the finance sector in housing has not materialised to the degree originally hoped for. The unavailability of end-user finance, especially for low income households (due to a complicated set of constraints including the lack of appropriate retail lending capacity and the reluctance of formal financial institutions to lend in certain areas and to certain income groups) has impeded the ability of many households to access adequate housing, even though they may have been able to afford it. Financial Sector Services Charter commitments by banks to finance low income housing will alter this situation if agreement can be reached on risk sharing with government and the commitments are then carried through to implementation.

#### **4.4.2 Socio-economic impacts**

Post-occupancy surveys of housing remain fairly rare. However, some comment is possible from the disparate studies which have been done by a range of research organisations.

A direct, and possibly inevitable, social impact of housing policy is that the criteria which are applied to qualification for subsidies tend to influence the structure of households. For example, a subsidy applicant may partner with another individual or with dependents in order to qualify for the subsidy. This impact would not always be permanent, but can lead to the reduction in household sizes as people position themselves to increase their chances of qualifying. This in turn increases the demand for housing assistance from government. The national reduction in household size which became evident in the 2001 census make this generally true not just of households qualifying or positioning for the housing subsidy, but also for the beneficiaries of state assistance in general.

A wide-ranging study of housing implementation states: “Experience from low-income settlements shows that the process of social segregation is hard to reverse: once an area is classified as low in status, more affluent people move out” [25]. These factors resulted in relatively homogenous profiles of communities in terms of income and other factors such as household composition because of the subsidy criteria. This in turn influences the housing market in an area and often undermines the ability of households to trade their houses at a reasonable market or real value [26].

With the variety of subsidy instruments available, it is possible to achieve a greater mix of profiles but often the shorter term advantages of scale delivery of single subsidy types outweigh the desire to achieve more viable communities in the longer term. Measures to improve the coupling of subsidies with private finance should also address this issue. The broadening of subsidy schemes to include subsidies, loans and savings is crucial [27].

Another impact of the policy was that the bundling together of tenure, infrastructure and top structure into a single household subsidy set up the tensions between collective and individual assets in early projects [28]. This has been partially resolved by the introduction of minimum norms and standards in 1999 which limited the minimum amount of funding which could be spent on the house, or ‘top structure’, so that participative processes were not lengthened by negotiations of the division of the subsidy amount between the individual house and the shared services. Recent moves to focus all of the

subsidy amount into the house and prevail upon the budgets and programmes of other departments to deliver services have been evident in public ministerial pronouncements.

Some reviewers have pointed out that the subsidy was insufficient to provide a freestanding house of proper size and quality in the first place. As such, the subsidy was only intended to start the housing process, but the social impact of the delivery of small houses is gradually being recognised in places where people struggle to extend the house (see discussion of consolidation below). Again, with the introduction of minimum norms and standards in 1999, the issue of the minimum size of houses was addressed and a minimum size of 30m<sup>2</sup> was introduced to align with the National Building Regulations. In people-driven processes, larger house sizes are often achieved [29].

#### **4.4.3 Beneficiary views**

A number of studies capture beneficiary views of government housing, and this evidence acts as an important source of information for the performance and impact of the housing programme.

In an early study of beneficiary views of the housing process, it was shown that residents' perceptions on whether they had been consulted during the delivery process were critical in determining whether households were satisfied [30]. Where service levels were high but houses relatively small, expressions of dissatisfaction about the house were common. Where houses were larger but services rudimentary, the situation was reversed. The most commonly expressed reason for beneficiary satisfaction in government sponsored projects was that a new house with freehold tenure granted independence and freedom. This was particularly the case for households moving from freestanding and backyard shacks.

A significant factor that determined levels of satisfaction with services installed was the dependability of those services. Frequent electricity interruptions, or water cuts, led to expressions of dissatisfaction [31].

In certain instances, the housing subsidy accentuated economic disadvantage by locating people too far from transport routes and other urban opportunities on which they had previously constructed their livelihood strategies [32]. It was concluded that housing provision could potentially mitigate some of the effects of poverty but if this were to be properly realised then there needed to be attention to careful beneficiary targeting to improve affordability, better location relative to economic opportunities, coordinated delivery of social infrastructure with housing, and further empowerment of emerging contractors.

People were well informed about the subsidy mechanism but the size of demand for housing meant that beneficiaries were rarely presented with a realistic choice of settlement, location and house type. However, most beneficiaries felt that they were in a better position than previously, and identified strongly with the new residential areas in which they now lived. It was reported that there was "...an overwhelming sense that home ownership has empowered and dignified many people" [33].

#### **4.4.4 Consolidation and the secondary housing market**

The housing policy is based on a subsidy which was intended to enable households to embark on the process of achieving adequate housing, an important indicator of positive impact of the policy is the degree to which households are adding to housing or, alternatively, realising a realistic value for their housing in the secondary market.

Limited numbers of studies have shown that significant consolidation takes place in government subsidised housing areas within the first years after occupation [34]. Others studies which reviewed consolidation levels after longer periods showed that the quality of housing extensions varied significantly from project to project depending on a variety of local factors but that small builders played a significant role in all extension activity [35][36][37].

The impact of house size on levels of crowding is the indicator that needs to be carefully monitored if the impacts of the government housing programme are to be properly understood. More widespread data is required, but a study of consolidation processes in two core housing projects showed that extensions significantly reduced overcrowding [38], which was consistent with findings in other countries [39]. The production of extensions by residents represents the production of additional housing stock, and the level of support or enablement by local authorities for consolidation processes is significant in influencing the quality of this stock. Levels of investment by households in their housing often outstrip the initial investment by government within a few years of occupation.

An alternative to extending a house to meet the needs of a resident household is for households to move house. In many places there is a very limited secondary housing market and households are unable to realise a reasonable price on their properties [40][41]. While an important goal is to improve the value of the housing asset so that housing can be exchanged for market-related values, there is also a responsibility on the part of government to extend some form of protection for beneficiaries against downward raiding where higher income buyers purchase property at lower than production cost thus undermining the goal of the programme to target people living in situations of poverty. However, it is important that trading of houses to improve mobility takes place and there is a need to remove many of the barriers to formal trading (see FinMark Trust recommendations [42]).

## **5 Settlement outcomes**

The performance of the components of the programme have been discussed, with an emphasis on the housing subsidy, but what has emerged in terms of settlements? Can what has been produced be seen as successful against the original descriptors of ‘human’, ‘integrated’, and ‘compact’ settlements, and are these settlements supportive of ‘viable’, and ‘socially and economically integrated’ households and communities? And what of the economic outcomes? As Hassen says, the original aim of the housing programme was also to stimulate the economy and to “reconstruct localities” [43].

The location of low cost housing has continued to be on the periphery of urban (and rural) economies (whether spatially, economically, or socially) and an impact of this has been that new settlement development has continued to exacerbate urban inefficiencies both for individuals and for organisations responsible for urban management (examples being the extended transport and service infrastructure systems necessary to serve such settlements).

The rapid delivery of housing was not matched in pace by the coordinated supply of social infrastructure such as schools, clinics, sports and recreation facilities etc. Added to this, the continued growth of informal settlements also largely without concomitant social infrastructure development leaves many communities in settlements in which it is very difficult to sustain their own livelihoods, and therefore where poverty is common [44]. Where social infrastructure is developed, the operational costs associated with managing and providing the services is not as easy to secure.

The ability of local government to facilitate the establishment of sustainable housing environments has been threatened by a lack of capacity to:

- effectively package and align departmental funding streams;
- employ innovative planning principles;
- acquire affordable inner-city land; and
- sustain a dedicated group of housing officials.

Despite scale delivery, the changing nature of demand has meant that the size of demand has increased in the face of the obdurate growth of informal settlements. The overall backlog has hardly been reduced. Even with the achievement of the original full delivery targets the backlog is likely to have remained static. The informal settlement figures demonstrate that the large number of housing units that have been delivered have had the effect of limiting the growth of such settlements. The growth of informal settlements beyond declared urban edges also effectively exclude people from urban investment planning. In addition, informal settlements are often addressed through the predominant approach of relocating communities to new housing areas and in the process coping strategies that have been evolved by the very poor are often disrupted by these formal interventions.

Over the last decade, the demand for housing has changed and the housing market has also changed but the benefits of a buoyant higher end property market have not been felt by the poor. The sale of second hand houses is currently highly profitable for the rich but often constitutes a loss for the poor, particularly those with subsidised housing. Refocusing the housing programme to far upmarket from the current target group to the detriment of the traditional target group, while it may make narrow investment sense (more self-funded housing stock and the inclusion of ‘bankable’ people), will probably exacerbate this situation rather than more equitably distributing benefits. If wealth creation is to be stimulated, then the housing asset needs to have functional value (a usable physical asset to create social and human capital) and exchange value (an ability to create financial capital), and this depends on investment in inner city, township and informal settlements so that the property market works for everyone. Significant public investment and substantial private sector collaboration are called for.

## **6 The new housing vision with sharper instruments**

A new housing plan (referred to as “the Comprehensive Plan” or “Breaking New Ground”) was taken to Cabinet towards the end of 2004 [45]. It seeks to redevelop housing policy and instruments to more effectively deliver sustainable settlements and respond to the housing context as it has changed over the last decade.

The Comprehensive Plan restates the vision of the Department of Housing as being “...to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing”. Very importantly, it states that the mandate of the Department should expand to include the entire residential sector or “residential housing market”, meaning that its emphasis on mechanisms which address the needs of low income (or no income) households will shift to include an added area of activity around interventions at the higher end of the market. This is captured in its statement of the two key objectives of the plan:

- “Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring” and

- “Supporting the functioning of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump”

The other key objectives are listed as:

- Accelerating the delivery of housing as a key strategy for poverty alleviation;
- Utilising provision of housing as a major job creation strategy;
- Ensuring property can be accessed by all as an asset for wealth creation and empowerment;
- Leveraging growth in the economy;

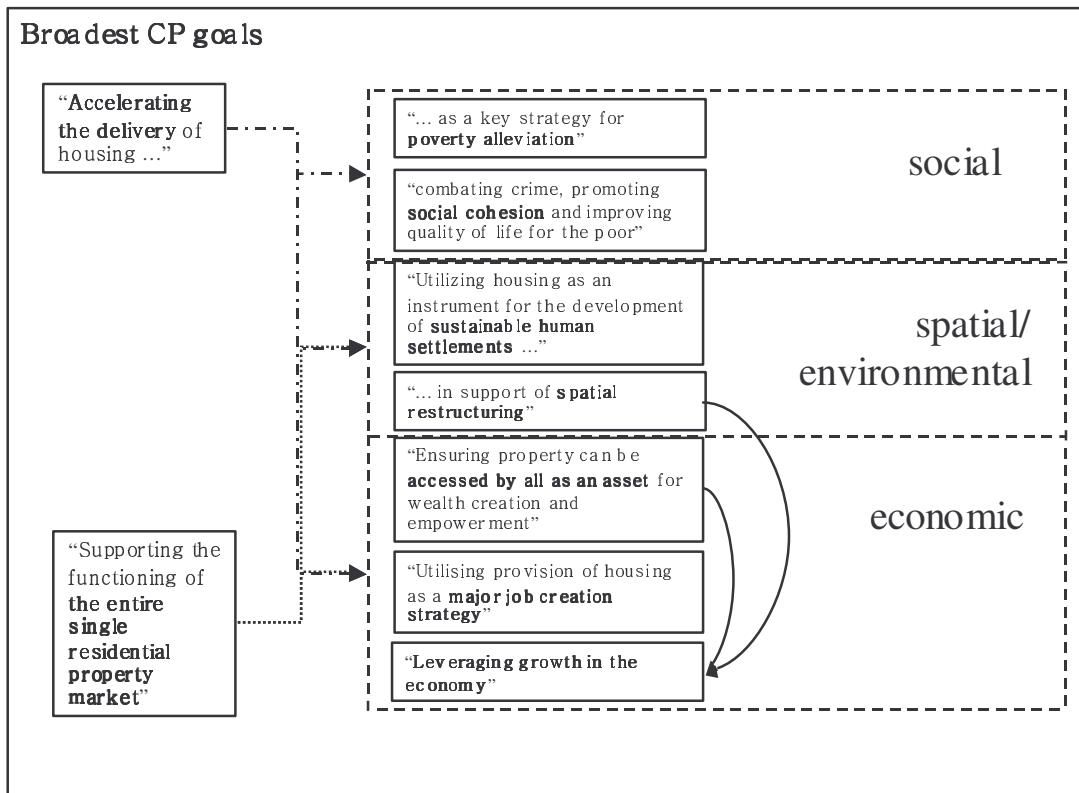


Figure: Summary of key objectives of the Comprehensive Plan

- Combating crime, promoting social cohesion and improving quality of life for the poor

This is summarised in the figure above, and grouped according to whether the objective is motivated primarily by social, economic or spatial/ environmental influences.

There has been some debate about whether the new plan constitutes a significant departure from previous policy directions [46][47], and more to the point whether the instruments mooted in the plan are capable of delivering significantly more sustainable settlements than has been the case so far.

The aspects of the Comprehensive Plan which represent significant shifts in the programme for the next five years of housing delivery include:

- moving beyond the provision of basic shelter and emphasizing the ultimate joint achievement of sustainable settlements within functional urban and rural economies;
- shifting the focus of the housing programme to address the needs of whole communities and supporting coordinated area-wide approaches which have the impact of restructuring cities, towns and regions to be more efficient, equitable and integrated;
- giving greater emphasis to instruments which are responsive to demand for housing and location;
- introducing a phased development approach to housing projects which allows the extension of the basic elements of secure tenure, services and primary social facilities, in the shortest time spans feasible, to provide the basis on which long term consolidation (of housing and livelihoods) can occur;
- devolving a greater amount of responsibility for directing housing investment to municipalities; and
- renewing the focus on partnerships, harnessing the resources of the community by placing them at the centre of the development process, enhancing the participation of non-government organisations in support of communities, and recapturing the contribution of the private sector (e.g. the construction and financial sectors in particular), all in partnership with the public sector and its parastatals in order to achieve fast track delivery and to deliver at scale.

Tomlinson believes the Comprehensive Plan is a significant departure given that there is an emphasis on not only scale delivery but also the quality of the housing and settlements (the shift from ‘breadth’ to ‘depth’) and that housing demand should drive the direction of delivery with government being prepared to share risk with the private sector [48].

If the state ambitions to see more delivery (indicated in the government’s call for the ‘rapid housing delivery’ [49]) are to be met while at the same time there is to be better quality housing, then this implies greater budget allocations for the housing programme at a national level. Hassen [50] illustrates that limited (national and local) spending on housing means that the economic spin offs hoped for from the programme do not materialise. Limited budget means ongoing peripheral location which weakens the forward linkages from new residential areas. The declining real value of the subsidy (until recently) means that poorer quality housing is built, quality land cannot be purchased, the requisite management and design skills cannot be accessed, and it is not easy to couple subsidy products with credit.

Dewar [51] points to a number of areas of ambivalence in the new housing plan, such as:

- the role of government (are they suppliers or enablers?);
- the role of residents (does the policy create passive beneficiaries or energetic and involved participants?);
- the level of real commitment to urban restructuring, ‘intensity’, density, and transport efficiency;
- an understanding of the process of urban development (does the policy truly create the environment in which people can consolidate their place in the city and benefit from the economic spin offs of the process at the local level?);
- the jaundiced view of informal settlements which undermines the role of such settlements in providing what is often better quality housing than in formal areas; and

- the devotion to better quality housing and sustainable settlements, but little or no reference to the quality of the ‘public spatial environment’.

The main challenge in the upcoming period (as existing housing delivery instruments are amended and new instruments designed<sup>1</sup>) is whether this will alter the form and location of the settlements (and influence urban form) and ultimately through this influence the fortunes of the residents whom the programme purports to ‘target’. Within this aim, whether government-initiated supply of housing can truly be responsive to housing need and demand remains to be seen. This will also hinge on whether the national and provincial departments are able to think beyond the subsidy approaches which have come to so dominate the state project. The developmental state approach being embraced in the second decade dispensation suggests a more present and active state machine devoted to fulfilling a housing and poverty alleviation mandate. But the question remains whether the *style* of government intervention will be such that the reinvented housing programme will open up real choice to allow people to consume housing and locate themselves in ways which suit their livelihood strategies (i.e. whether the demand-led approach will really succeed). Success will also depend on which way government leans in terms of the deepest fissure which runs right through the identity of the housing programme. To state it dualistically, this revolves around whether the housing programme from here on out is primarily to continue to be oriented around the transfer of a social welfare good to the poor, vulnerable and spatially marginalised, or whether it is also about urban regeneration, renewal, and economic development. If it leans towards the latter and the state gathers to itself the knowledge and expertise to deliver a productive social *and economic* good in ways which improve access for the poor to markets, then the next decade of housing delivery will look very different to the first.

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<sup>1</sup> For example, risk sharing mechanisms for financial institutions, land funds, accreditation of municipalities.



[10] For example see the pronouncements around the Housing Indaba (e.g. Closing Remarks By Ln Sisulu Minister Of Housing At The Housing Indaba, 23 September 2005, Cape Town International Convention Centre, Cape Town). Accessed online <http://www.housing.gov.za>, 28 November 2005.

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[18] For example, the previous housing Minister, Sankie Mthembi-Mahanyele, received the UN Scroll of Honour from UN Habitat in 2003.

[19] By early 2001, there were 11,205,705 housing units in the country, indicating new housing stock of 2,146,134, of which the government subsidised 1,153,052 units representing 54% of that stock.

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